

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency

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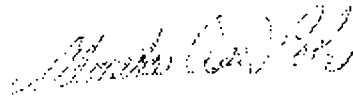
Notice FC-67

1951-S

For: State and County Offices

Implementing Debt and Loan Restructuring System (DALRS) Version 6.1

Approved by: Acting Deputy Administrator, Farm Credit Programs



1 Overview

A

Background

DALRS has been modified to properly calculate primary loan servicing options according to the Federal Agriculture Improvement and Reform Act of 1996. Because of the number of changes needed, the modifications will be made in 2 phases.

- The first phase will incorporate the 110 percent cash flow margin and market value buyout requirements.
- The second phase will incorporate the conservation contract requirements, enhance data entry on the Basic Borrower Information Screen, and make changes to the DALRS report format.

B

Purpose

This notice:

- describes what changes were made
- provides special instructions for using DALRS Version 6.1.

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Disposal Date

September 1, 1997

Distribution

State Offices; State Offices relay to County Offices and Ag Credit Teams

8-16-96

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1 Overview (Continued)

C Contact

State Offices should call:

- Don Howard, PDEED or Kim Laris, LSPMD, through the Area Office, for implementation procedures
 - the FSA National Help Desk for software installation problems.
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2 Action

A Modifications Made to DALR\$

The following modifications were made to DALR\$.

- The margin was changed from a 105 percent debt service margin to a 110 percent cash flow margin.

Note: DALR\$ can now be run on all borrowers pending a decision with writedown, according to Notice FC-60.

- The "Balance Available" and "Non-FmHA Debt Repayment and Taxes" fields on the Basic Borrower Information Screen were changed to "Adjusted Balance Available" and "Non-Agency Debts, Family Living Expenses, and Adjusted Farm Operating Expenses". DALR\$ help screens have been updated to reflect what information is to be entered in these fields. However, continue to complete the worksheet in Notice FC-60, Exhibit 1 to determine the amounts to enter in these 2 fields, and attach it to the DALR\$ report.

Notes: Phase II will eliminate the worksheet requirement.

This change was made to calculate the cash flow margin up to 110 percent of the total amount of the following:

- balance available
 - family living expenses
 - farm operating expenses, less interest expense to pay:
 - family living expenses
 - farm operating expenses
 - debt payments.
-

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2 Action (Continued)

A Modifications Made to DALRS (Continued)

- The calculation for buyout was changed from a net recovery buyout to a buyout at the current market value less prior liens. The DALR\$ report will reflect the revised changes.
- Editorial changes were made to the DALR\$ report to change the following:
 - FmHA to FSA
 - County Supervisor to Authorized Agency Official
 - State Director to State Executive Director
 - Conservation Easement to Conservation Contract
 - Net Recovery Buyout to Buyout at current market value less prior liens.

Note: An Information Sheet is being sent with the DALR\$ software that will list all the changes made to DALR\$, including the items listed in this subparagraph.

B Market Value Buyout Offers

Refer to Notice FC-60, Exhibit 2 for changes to FmHA Instruction 1951-S, Exhibit A, Attachments 5, 5-A, 6, and 6-A when offering market value buyout to borrowers.

SED approval is still required on buyouts before the borrower is sent these attachments when a writeoff of debt is involved.

C Offering to Restructure With or Without a Writedown

It is the Agency's primary purpose to provide the borrower with the best servicing available. DALR\$ will consider all primary loan servicing options available to attempt to find a feasible plan with a cash flow margin up to 110 percent. However, there may be times when a feasible plan can be found without a writedown, but at a lower cash flow margin than with a writedown.

Therefore, effective with this notice, if the DALR\$ report finds a feasible plan with a writedown with a cash flow margin of 101 percent or higher, then another DALR\$ report must be run with the "Currently Eligible for Writedown/Writeoff" field marked "N" for "NO". This will be the indicator for DALR\$ not to consider writedown.

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2 Action (Continued)

C
Offering to
Restructure
With or Without
a Writedown
(Continued)

IF the rerun DALRS shows the borrower...	THEN...
cannot develop a feasible plan with primary loan servicing without a writedown	proceed to offer the borrower only the 1 option of restructuring with a writedown.
can develop a feasible plan without a writedown	the following must be added to FmHA Instruction 1951-S, Exhibit F and Attachment 2 to offer the borrower the choice of accepting the restructuring offer with or without a writedown. Both DALRS reports, signed by the approval official, must be sent to the borrower, attached to FmHA Instruction 1951-S, Exhibit F.

D
Language to
Add to Exhibit F

Add the following language to FmHA Instruction 1951-S, Exhibit F:

Our calculations indicate that a feasible plan can be found with or without a writedown, as described below. However, with a writedown, your cash flow margin would be ____ percent, whereas without a writedown, your cash flow margin would only be ____ percent. You can choose to accept the restructuring offer with or without a writedown on the attached response form. If you choose a writedown, you will not be able to receive future loans through FSA, except for annual operating loans.

(Describe how the loan can be restructured with and without a writedown, conditions, etc. and if applicable, that a shared appreciation agreement would not be required if a writedown was not received.)

Exhibit F, Attachment 2, Item (1) will be changed to read as follows:

[] 1) I accept FSA's offer to restructure my debt as follows: (Put an "X" in block (a) or (b).) I understand I must accept FSA's offer within 45 days of receiving Exhibit F.

(a) [] With a writedown giving me a higher cash flow margin than without a writedown.

(b) [] Without a writedown giving me a lower cash flow margin than if I would take the writedown.

Note: Phase II will eliminate the requirement for two DALRS's to be run.